Why Was the Turn of the Century South the Poorest Part of the United States?

Before the Civil War, the South was one of the richest regions in the world, standing just behind Britain and the Northern states. More than half of the richest one percent of Americans were Southerners. Per capita income in the South-including slaves-was higher than that in India in 1960.

Yet by the late nineteenth century, the South had come to symbolize rural poverty. By the 1930s, President Franklin Roosevelt considered the South America's economic problem number one. From the 1870s to 1930, per capita income in the region stood at only 55 to 60 percent of the national average. The South lagged far behind the rest of the nation in industrialization and urbanization. It seems likely that the South's economic backwardness and poverty contributed to such forms of anti-black racial violence as lynching.

Why would it take almost a century following the Civil War for the South to achieve economic equality with other parts of the country? Was it due to a lack of skilled labor, a highly educated workforce, and a shortage of capital? Was it because Southerners were committed to agriculture and were reluctant to industrialize? Was it related to the South's racial conflicts? Or was it because northern corporations treated the South like an economic colony, a source of raw materials and cheap labor?

To be sure, some industries did emerge in the South. Investors in Richmond, Virginia, helped organize the Southern Railroad, one of the nation's largest rail lines. Steel makers in Birmingham, Atlanta, created a steel industry second only to Pittsburgh's. Cigarettes, liquor, textiles, and Coca-Cola were other industries that developed in the South. During the late nineteenth century, promoters of the "New South" aggressively sought northern investment in the region.

And the South's economy was growing. It grew rapidly after 1869, sometimes more rapidly than the rest of the United States. The South was better off economically than any European nation other than England. But while wealthy by world-wide standards and seemingly growing rapidly, the South was still far behind the most advanced sectors of the United States.

But when all this is added up, the South still trailed the North and West significantly. Rural poverty was greater, and the South was heavily dependent on the sale of farm crops and raw materials, such as lumber and iron whose prices were falling. The region failed to develop the growth industries of the era, such as electrical equipment, chemicals, meat processing, and machine tools. The industries that did develop tended to be low-value added industries, manufacturing rough textiles, turpentine, liquor, and tobacco products. Meanwhile, southern agriculture was much less mechanized than its northern or western counterparts and depended heavily on low-paid farm labor and sharecroppers.

Capital was in short supply. Demand for manufactured goods was low, in part because the South's urban markets were small. Trained managers and skilled workers were scarce.

But equally important, the South apparently had fewer entrepreneurs than in other regions, which was partly a legacy of slavery. The South's elite was less interested in business investment than its northern counterparts. The South's merchants and landowners had no tradition of industrial innovation or of applying science-based technologies to production. They had a strong stake in preserving the economic status quo. As landowners, they benefited from the low wages and limited mobility of black and white workers.

Trapped in a system of sharecropping, debt, and tenant farming, African Americans were denied the opportunity to migrate out of the rural South and to participate in the industrial economy.

For the most part, the industries that emerged in the South tended to be small-scale, local projects. Investors developed a small textile factory or a small saw mill, or one-room furniture factories. Southerners were far less likely than Notherners to develop large-scale business enterprises. The primary interest of southern investors was to maximize the value of land. Much of their energies were devoted to local land speculation and town building, rather than to investment in industry. Their goal was increase land values, attract settlers, or raise the level of commerce in a particular town.

In the North, however, investment was increasingly made in large-scale enterprises: in industries that produced for national and international markets and in train, telephone, and power systems that were regional or national in scale.